

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

BALLY TECHNOLOGIES, INC.

Plaintiff,

vs.

BUSINESS INTELLIGENCE SYSTEMS
SOLUTIONS, INC.

Defendant.

Case No. 2:10-cv-00440-PMP-GWF

ORDER

**Emergency Motion to Compel the
Deposition of Richard Haddrill
- #77, 81**

This matter is before the Court on Defendant Business Intelligence Systems Solutions, Inc.'s ("BIS2") Emergency Motion to Compel the Deposition of Richard Haddrill and the 30(b)(6) Depositions of Bally Technologies, Inc. ("Bally") (#77, #81), filed on August 8, 2011; Plaintiff Bally's Opposition to BIS2's Emergency Motion to Compel (#91), filed on August 15, 2011; and BIS2's Reply in Support of Motion to Compel (#96), filed on August 18, 2011.

The Court has ruled on, or the parties have resolved their disputes, on all but one of the issues raised in Defendant BIS2's motion to compel. The remaining issue concerns BIS2's motion to compel Bally to respond to Request for Production No. 57 which requests:

All documents that relate to any actual or potential license agreement, including without limitations, cross-licenses, agreements of non-assertion, covenants not to sue, acquisition agreements, and other types of agreements, and/or negotiation for such *that relates to or involves any Plaintiff patents*, including without limitation, all documents relating to communications concerning any such license agreement or negotiation. (emphasis added)

Motion to Compel (#77, #81), Exhibit 1.

Bally objected to this request on the grounds that it is vague, ambiguous, overly broad, unduly burdensome and not limited to scope and time. *Motion to Compel (#77, #81), Exhibit 2.* In

1 its motion to compel, BIS2 did not attempt to limit the scope of this request or otherwise justify it,
2 other than to state: “Bally’s own actions prove that these documents are highly relevant. Bally
3 insisted that BIS2 produce such documents and used several such documents from BIS2’s
4 production as exhibits during depositions last month.” *Motion to Compel* (#77, #81), p. 11.

5 In response to this statement, Bally stated in its opposition: “The problem with BIS2’s
6 argument is that it assumes Bally has not produced any agreements between Bally and its customers
7 for the Business Intelligence products. In fact, Bally has produced the agreements between Bally
8 and its customers. This could have been explained to BIS2 rather simply had there been a proper
9 meet and confer.” *Opposition* (#92), p. 19.

10 In reply, BIS2 argues that Request No. 57 “is directly relevant to determining an established
11 royalty rate within the relevant market.” BIS2 cites *American Original Corp. v. Jenkins Food*
12 *Corp.*, 774 F.2d 459, 464 (Fed.Cir. 1985) for the proposition that *in the absence of any existing*
13 *royalty rate*, “royalties paid by others for use of a comparable patent in the industry” was relevant
14 to establishing a reasonable royalty.” *Reply* (#97), p. 8. (Emphasis added by the Court). At the
15 hearing on this motion, BIS2’s counsel stated that Bally should be required to produce documents
16 relating to licenses issued by it for “comparable patents in the industry.”

17 *American Original* was not a discovery case. The Federal Circuit in that case affirmed the
18 district’s trial determination of a reasonable royalty based on license agreements for a comparable
19 patent. In upholding the district court’s reliance on such evidence, the court stated:

20 The district court pointed out that since American had not licensed
21 the Marvin patent, there was no existing royalty rate. It therefore
22 “turn[ed] to the best evidence of what a reasonable royalty would
23 produce—that is, royalties paid by others for use of a comparable
24 patent in the industry.” That was the amount, the court concluded,
25 that “a licensee such as defendants and a licensor, such as plaintiff,
26 would have agreed upon, at the time the infringement began....” The
27 court stated that “the Carlson patent was a similar or comparable
28 system, and one used by many in the industry. The sum paid by
plaintiff to Carlson, by defendants to Carlson, and by others to
Carlson, are evidence of what a fair royalty would be. These were
negotiated sums in arms length transactions.”

27 *American Original* obviously stands for the proposition that evidence regarding license
28 agreements for a comparable patent may be admitted where the patent-in-suit has not been licensed

1 and there is no established royalty rate.

2 In *Resqnet.Com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed.Cir. 2010), the court noted that
 3 “a comprehensive (but unprioritized and often overlapping) list of relevant factors for a reasonable
 4 royalty calculation appears in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F.Supp.
 5 1116, 1120 (S.D.N.Y. 1970).” In limiting the district court’s use of those factors, the Federal
 6 Circuit stated:

7 “Determining a fair and reasonable royalty is often ... a difficult
 8 judicial chore, seeming often to involve more the talents of a conjurer
 9 than those of a judge.” *Fromson v. Western Litho Plate & Supply*
 10 *Co.*, 853 F.2d 1568, 1574 (Fed.Cir.1988). Still, a reasonable royalty
 11 analysis requires a court to hypothesize, not to speculate. *Id.* at 1575.
 12 At all times, the damages inquiry must concentrate on compensation
 for the economic harm caused by infringement of the claimed
 invention. *See, e.g., Aro Mfg. Co. v. Convertible Top Replacement*
Co., 377 U.S. 476, 507, 84 S.Ct. 1526, 12 L.Ed.2d 457 (1964)
 (“[T]he present statutory rule is that only ‘damages’ may be
 recovered.”).

13 Thus, the trial court must carefully tie the proof of damages to the
 14 claimed invention’s footprint in the market place. . . .

15 *Resqnet.Com*, 594 F.3d at 869.

16 The court further stated:

17 The first *Georgia-Pacific* factor requires considering past and
 18 present royalties received by the patentee “for the licensing of the
 19 *patent in suit*, proving or tending to prove an established royalty.”
 318 F.Supp. at 1120 (emphasis added). By its terms, this factor
 20 considers only past and present licenses to the actual patent and the
 actual claims in litigation. This court has long required district courts
 21 performing reasonable royalty calculations to exercise vigilance when
 considering past licenses to technologies *other* than the patent in suit.
 22 *See Lucent*, 580 F.3d at 1329 (“[A] lump-sum damages award [based
 23 on a reasonable royalty] cannot stand solely on evidence which
 amounts to little more than a recitation of royalty numbers, one of
 24 which is arguably in the ballpark of the jury’s award, particularly
 when it is doubtful that the technology of those license agreements is
 in any way similar to the technology being litigated here.”)

25 This Court recognizes that relevancy under Fed.R.Civ.Pro. 26(b) is broadly construed and
 26 that in order to be discoverable, information need not be admissible at trial so long as it is
 27 reasonably calculated to lead to the discovery of admissible evidence. On the other hand, the court
 28 may deny or limit discovery if the burden and expense of the proposed discovery outweighs its

1 likely benefit. Rule 26(b)(2)(C)(iii). Evidence regarding Bally's licensing agreements involving
2 similar patented technologies may be relevant and lead to the discovery of admissible evidence if
3 the subject patents-in-suit have not been licensed or there is reason to believe that Bally's licenses
4 of the subject patents did not involve arms length business transactions that reflect the actual value
5 of the patents in the market place.

6 BIS2's very sketchy motion to compel fails to persuade this Court, even under the liberal
7 standard of Rule 26, that it should order Bally to produce documents relating to other Bally owned
8 patents subject to the vague limitation to "comparable patents in the industry." Bally states in its
9 opposition, which is also scant on factual detail, that it has produced the agreements between Bally
10 and its customers for "the Business Intelligence products." If this means that Bally has produced
11 actual license agreements, negotiated at arms- length, regarding the patents-in-suit, then that is the
12 best evidence on which to establish a reasonable royalty rate. To the extent that Bally has not
13 already disclosed all license agreements for the patents-in-suit, then it should do so. BIS2 has not
14 shown, however, that license agreements involving other patents are sufficiently relevant to be
15 discoverable. Accordingly,

16 **IT IS HEREBY ORDERED** that Defendant Business Intelligence Systems Solutions,
17 Inc.'s ("BIS2") Emergency Motion to Compel (#77, #81) in regard to Request for Production No.
18 57 is **denied**, without prejudice to Defendant renewing its motion as to this request if it can
19 demonstrate a factual basis as to why discovery regarding licensing agreements for other patents is
20 relevant to its defense.

21 DATED this 30th day of August, 2011.

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23 
24 GEORGE FOLEY, JR.
25 United States Magistrate Judge
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